

Message Text

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PAGE 01 MANILA 05552 150357Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 ABF-01 AID-05 EB-08 INR-07
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P 150304Z APR 77
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TO SECSTATE WASHDC PRIORITY 8420

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USADB

PASS TREASURY FOR ESCOUBE

E.O. 11652: ADS, DECLAS 12/31/78
TAGS: EAID, EFIN
SUBJECT: FURTHER GAO REQUEST FOR INFORMATION

REF: TREASURY 072202Z APR 77

FOLLOWING IS ADB STAFF RESPONSE TO QUESTIONS IN REFTEL
CONCERNING ADB LENDING TO DEVELOPMENT FINANCE INSTITUTIONS
FROM SPECIAL FUNDS RESOURCES:

1. RANGES OF REPAYMENT TERMS (MATURITIES) ON LOANS TO
SUB-BORROWERS:

(REFER TO TABLE PROVIDED IN ANSWER TO PREVIOUS GAO
QUESTION 11.)

PROJECT	COUNTRY	REPAYMENT TERMS
BSRS I	BANGLADESH	9 TO 14 YEARS
IDBV	VIETNAM	(NO DRAWDOWN AND NO SUBLOAN)
DBWS I	WESTERN SAMOA	2 TO 10 YEARS
DFCC	SRI LANKA	(NO DRAWDOWN BUT EXPECT 5 TO 12 YEARS)
BSRS II	BANGLADESH	(NO DRAWDOWN BUT EXPECT

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PAGE 02 MANILA 05552 150357Z

		9 TO 14 YEARS)
DBWS II	WESTERN SAMOA	(NO DRAWDOWN BUT EXPECT 2 TO 10 YEARS)

2. INTEREST RATES AND MTURITIES SUB-BORROWERS WOULD
PAY IF THEY HAD TO BORROW IN THE PRIVATE MARKET:

COUNTRY	CURRENCY	INTEREST RATES	MATURITIES
BANGLADESH	LOCAL	12 TO 13 PERCENT	5 TO 6 YEARS
	FOREIGN	(NO FOREIGN CURRENCY BORROWINGS AVAILABLE)	
SRI LANKA	LOCAL	7.5 TO 14 PERCENT	UP TO 5 YEARS
		(NO FOREIGN CURRENCY BORROWINGS AVAILABLE)	
VIETNAM	LOCAL)	(NO INFORMATION AVAILABLE)	
	FOREIGN		
WESTERN	LOCAL	8 TO 12 PERCENT	UP TO 10 YEARS
SAMOA	FOREIGN	(NO INFORMATION AVAILABLE)	

3. BENEFITS ARISING FROM CONCESSIONAL LOANS:

THE RATIONALE FOR THE DIFFERENCE IN BANK'S LENDING RATE TO DFC'S AND THE RELENDING RATE TO THE ULTIMATE SUB-BORROWERS IN RESPECT OF SPECIAL FUNDS LOANS WILL BE APPRECIATED FROM THE FACTS THAT (I) THE CRITERIA FOR LENDING FROM SPECIAL FUNDS RECOGNIZE THE COUNTRY ECONOMIC SITUATION INCLUDING DIFFICULTIES OF FOREIGN EXCHANGE POSITION AS THE MOST IMPORTANT CONSIDERATION AND (II) AN INTEREST RATE CLOSE TO THE MARKET RATE, APPLIED TO AN EXECUTING AGENCY OR A SUB-BORROWER ARISES FROM A DESIRE TO ENFORCE FINANCIAL DISCIPLINE ON THE PART OF THE RECIPIENT AND TO ENCOURAGE IT TO MAKE PROPER CHARGE FOR ITS SERVICES AND EARN ADEQUATE RETURN ON ITS ASSETS. THIS IS THE REASON WHY IN MOST OF THE CASES THE BENEFIT BY WAY OF DIFFERENCE IN LENDING RATES HAS LIMITED OFFICIAL USE

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PAGE 03 MANILA 05552 150357Z

ACCRUED TO THE BORROWING COUNTRY; THE ONLY EXCEPTION WHERE A LOWER ON-LENDING RATE HAS BEEN FIXED IS IN WESTERN SAMOA, WHERE THIS HAS BEEN ALLOWED AS THE DFC IS IN ITS INFANCY AND A SIZEABLE INTEREST SPREAD TO COVER ADMINISTRATIVE EXPENSES AND CREATION OF ADEQUATE RESERVES WAS NECESSARY.

THE ADB IS NOT EXERCISING ANY CONTROL ON THE USE BEING MADE BY THE GOVERNMENTS OF THE FUNDS ACCRUED BECUASE OF THE CONCESSIONAL ELEMENT. NO INFORMATION IS CURRENTLY AVAILABLE ON HOW THESE FUNDS ARE BEING USED.

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Message Attributes

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